

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

**OIL AND GAS DOCKET
NO. 08-0265981**

**IN THE WOLFBONE (TREND AREA)
FIELD, PECOS, WARD AND REEVES
COUNTIES, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS FIELDS INTO A NEW FIELD
CALLED THE WOLFBONE (TREND AREA) FIELD AND
ADOPTING TEMPORARY FIELD RULES
FOR THE WOLFBONE (TREND AREA) FIELD
PECOS, WARD AND REEVES COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on June 29, 2010, the presiding examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and proposal for decision, the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, hereby adopts as its own Findings of Fact Nos. 1-8 and 10-15 and the conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein. The Commission further adopts the following Substitute Finding of Fact No. 9:

Finding of Fact No. 9:

9. Adoption of a density rule providing for 160/optional 40 acre units for oil wells and 320/optional 40 acre units for gas is appropriate for the Wolfbone (Trend Area) Field on a temporary basis.
 - a. The Graves State No. 1 is a vertical well completed by Thompson in the 3rd Bone Springs interval only.
 - b. The Graves State No. 1 is carried in the Hoban (Wolfcamp) Field.
 - c. The estimated ultimate recovery for the Graves State No. 1 ranges from 112,000 BO to 125,000 BO, depending on the decline rate which the well follows.
 - d. The calculated drainage area for the Graves State No. 1 is between 223 and 249 acres.

- e. The largest density for any of the 12 fields proposed for consolidation is 160 acres.
- f. Optional 40 acre density is common for Bone Springs and Wolfcamp oil and gas fields in the area.
- g. Several Bone Springs and Wolfcamp gas fields in the area have 640 or 320 acre density rules.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the following fields are combined into a new field called the Wolfbone (Trend Area) Field, ID No. 98359 800:

Balmorhea Ranch (Bone Springs) Field	05348 100
Blount (Bone Spring) Field	09695 500
Cable (Wolfcamp) Field	14467 500
Guthrie (Wolfcamp) Field	37506 400
Hoban (Bone Springs) Field	41741 333
Hoban (Wolfcamp) Field	41741 666
Hoban, S. (Wolfcamp) Field	41745 500
Marsden (Permian) Field	57670 500
Ripplinger (Wolfcamp) Field	76863 800
Rojo Caballos (Wolfcamp) Field	77953 750
Toro (Wolfcamp) Field	90781 900
Worsham-Bayer (Wolfcamp) Field	98837 830

It is further **ORDERED** that the following Field Rules are hereby adopted for the Wolfbone (Trend Area) Field, Pecos, Ward and Reeves Counties, Texas:

RULE 1: The entire correlative interval from 8,070 feet to 13,092 feet as shown on the log of the Sinclair Collier Well No. 1, (API No. 389-10544), Sec. 14, Block 52, T & P RR Co. Survey, Reeves County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Wolfbone (Trend Area) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY-SEVEN (467) feet to any property line, lease line, or subdivision line and no vertical well shall be drilled nearer than NINE HUNDRED THIRTY THREE (933) feet to any applied for, permitted or completed vertical well in the same reservoir on the same lease, pooled unit or unitized tract. There shall be no minimum spacing requirement between horizontal and vertical wells on the same lease, and no minimum spacing requirement between horizontal wells on the same lease. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission shall have determined that such exceptions

are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

Provided, however, that for purposes of spacing for horizontal wells, the following shall apply:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
- b. All take points in a horizontal drainhole well shall be a minimum of FOUR HUNDRED SIXTY SEVEN (467) feet from any property line, lease line, or subdivision line. A permit or an amended permit is required for all take points closer to the lease line than the lease line spacing distance, including any perforations added in the vertical portion or the curve of a horizontal drainhole well.

In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take points must also be identified on the drilling permit application (remarks section) and plat. Operators shall file an as-drilled plat showing the path, penetration point, terminus and the first and last take points of all drainholes in horizontal wells, regardless of allocation formula.

If the applicant has represented in the drilling application that there will be one or more no perf zones, or "NPZ's" (portions of the wellbore within the field interval without take points), then the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data. In addition to the standard required data, the certified plat shall include the as-drilled track of the wellbore, the location of each take point on the wellbore, the boundaries of any wholly or partially unleased tracts within a Rule 37 distance of the wellbore, and notations of the shortest distance from each wholly or partially unleased tract within a Rule 37 distance of the wellbore to the nearest take point on the wellbore.

A properly permitted horizontal drainhole will be considered to be in compliance with the spacing rules set forth herein if the as-drilled location falls within a rectangle established as follows:

- h. Two sides of the rectangle are parallel to the permitted drainhole and 50 feet on either side of the drainhole;

- i. The other two sides of the rectangle are perpendicular to the sides described in (a) above, with one of those sides passing through the first take point and the other side passing through the last take point.

Any point of a horizontal drainhole outside of the described rectangle must conform to the permitted distance of the nearest property line, lease line or subdivision line measured perpendicular from the wellbore.

For any well permitted in this field, the penetration point need not be located on the same lease, pooled unit or unitized tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interests where there is no designated operator or lessee. In providing such notice, applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence, to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If any mineral owner of the Offsite Tract objects to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or, (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

RULE 3a: The acreage assigned to the individual oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be ONE HUNDRED SIXTY (160) acres. No proration unit shall consist of more than ONE HUNDRED SIXTY (160) acres except as hereinafter provided.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than ONE HUNDRED SIXTY (160) acres, then and in such event the remaining unassigned acreage up to and including a total of FORTY (40) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon.

RULE 3b: The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be THREE HUNDRED

TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each standard proration unit so that an amount not to exceed a maximum of THREE HUNDRED FIFTY TWO (352) acres may be assigned.

An operator, at his option, shall be permitted to form optional drilling and proration units of FORTY (40) acres for oil or gas wells. A proportional acreage allowable credit will be given for a well on a fractional proration unit. There is no maximum diagonal limitation in this field.

For the determination of acreage credit in this field for oil or gas wells, operators shall file for each well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes. When the allocation formula in this field is suspended, operators in this field shall not be required to file plats with the Form P-15. When the allocation formula is in effect in this field, operators shall be required to file, along with the Form P-15, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units. Provided further, that if the acreage assigned to any well has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled. Operators in this field are exempt from the requirements of Rule 86(f)(4) entitled Proration Unit Plat; however operators must, for each horizontal drainhole, file a plat showing the as-drilled path, penetration point, terminus and, if applicable, perforations or external casing packer, for that horizontal drainhole and, for wells treated as stacked laterals, operators must file the plats required by paragraph number 6 of Rule 5. All plats referred to in this paragraph may be either a surveyor's plat or a certified plat, at the operator's option.

For the purpose of assigning additional acreage to any horizontal well pursuant to Rule 86, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

RULE 4a: The maximum daily oil allowable for each well in the subject field shall be the 1965 yardstick allowable, upon expiration of the discovery allowable, and the actual allowable for an individual well shall be determined by the sum total of the two following values:

- a. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by 75% and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.

- b. Each well shall be assigned an allowable equal to its potential based on the most recent well test filed with the Commission multiplied by 25%, provided that this value shall not exceed the top allowable multiplied by 25%.

RULE 4b: The Wolfbone (Trend Area) Field shall be classified as associated-prorated. The daily allowable production of gas from individual wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the following manner:

- a. SEVENTY FIVE percent (75%) of the total field allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all prorable wells producing from this field.
- b. TWENTY FIVE percent (25%) of the total field allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all prorable wells producing from this field.

It is further **ORDERED** by the Railroad Commission of Texas that the allocation formula in the Wolfbone (Trend Area) Field is hereby suspended. The allocation formula may be reinstated administratively if the market demand for gas in the Wolfbone (Trend Area) Field drops below 100% of deliverability. If the market demand for gas in the Wolfbone (Trend Area) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated.

Wells in the subject fields shall be transferred into the Wolfbone (Trend Area) Field without requiring new drilling permits.

It is further ordered that these rules are temporary and effective until May 30, 2012, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, may be modified or terminated.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

This order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for

rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

Done this 30 day of November, 2010.

RAILROAD COMMISSION OF TEXAS


Chairman Victor G. Carrillo


Commissioner Elizabeth A. Jones

Commissioner Michael L. Williams

ATTEST:


Secretary

